

VIII. Option 4A: Figure 13

Figure 13: Option 4A: FCC Plan: 25% Interstate/75% State, Net Payers and Receivers per Access Line per Month, BCPM

State	BCPM Interstate \$30	State	BCPM Interstate \$40	State	BCPM Interstate \$50
AK	\$11.68	AK	\$12.11	AK	\$12.24
MT	\$8.45	MT	\$8.48	MT	\$8.39
WY	\$7.47	WY	\$7.55	WY	\$7.46
WV	\$4.90	ND	\$4.98	ND	\$5.02
SD	\$4.66	SD	\$4.88	SD	\$4.83
ND	\$4.63	AR	\$4.38	AR	\$4.16
AR	\$4.58	WV	\$4.16	WV	\$3.48
MS	\$4.34	MS	\$3.69	KS	\$3.31
KS	\$3.27	ID	\$3.53	MS	\$3.08
OK	\$3.26	KS	\$3.38	ID	\$2.93
ID	\$3.08	OK	\$3.08	OK	\$2.89
NM	\$2.81	NM	\$2.84	NM	\$2.76
LA	\$2.67	NE	\$2.70	NE	\$2.64
NE	\$2.61	LA	\$2.26	LA	\$2.26
VA	\$2.40	VA	\$2.25	VA	\$1.91
ME	\$2.02	ME	\$1.85	IA	\$1.74
AL	\$1.93	IA	\$1.85	ME	\$1.58
IA	\$1.84	MO	\$1.64	MO	\$1.44
MO	\$1.73	AL	\$1.51	MN	\$1.21
KY	\$1.33	MN	\$1.32	NV	\$1.21
MN	\$1.30	NV	\$1.23	AL	\$1.16
WI	\$1.08	KY	\$1.15	WI	\$1.00
NV	\$1.08	WI	\$1.10	OR	\$0.93
SC	\$0.90	OR	\$0.99	KY	\$0.85
OR	\$0.89	TX	\$0.77	TX	\$0.67
TX	\$0.82	SC	\$0.64	SC	\$0.63
IN	\$0.45	CO	\$0.31	CO	\$0.33
TN	\$0.32	IN	\$0.28	IN	\$0.08
NC	\$0.25	TN	\$0.18	GA	\$0.04
MI	\$0.10	GA	\$0.11	TN	(\$0.00)
CO	\$0.09	MI	\$0.06	MI	(\$0.05)
GA	\$0.04	NC	(\$0.03)	WA	(\$0.16)
WA	(\$0.22)	WA	(\$0.13)	NC	(\$0.28)
NH	(\$0.37)	NH	(\$0.29)	NH	(\$0.39)
OH	(\$0.38)	AZ	(\$0.30)	AZ	(\$0.40)
AZ	(\$0.41)	OH	(\$0.43)	IL	(\$0.41)
VT	(\$0.43)	UT	(\$0.62)	VT	(\$0.55)
PR	(\$0.44)	PA	(\$0.65)	OH	(\$0.55)
IL	(\$0.53)	CA	(\$0.66)	UT	(\$0.56)
PA	(\$0.68)	PR	(\$0.76)	CA	(\$0.63)
CA	(\$0.85)	NY	(\$0.95)	PA	(\$0.72)
UT	(\$0.87)	HI	(\$1.09)	PR	(\$0.79)
NY	(\$1.20)	IL	(\$1.12)	NY	(\$0.92)
HI	(\$1.26)	FL	(\$1.20)	HI	(\$1.07)
FL	(\$1.39)	MD	(\$1.42)	FL	(\$1.16)
MD	(\$1.64)	MA	(\$1.42)	MA	(\$1.35)
MA	(\$1.67)	VT	(\$1.47)	MD	(\$1.39)
DE	(\$1.71)	DE	(\$1.50)	DC	(\$1.48)
RI	(\$1.82)	DC	(\$1.61)	DE	(\$1.54)
CT	(\$1.93)	RI	(\$1.64)	RI	(\$1.60)
DC	(\$2.07)	CT	(\$1.75)	CT	(\$1.71)
NJ	(\$2.29)	NJ	(\$1.85)	NJ	(\$1.72)

VIII. Option 4A: Figure 14

Figure 14: Option 4A: FCC Plan: 25% Interstate/75% State, Net Payers and Receivers per Access Line per Month, HAI

State	HAI Interstate \$30	State	HAI Interstate \$40	State	HAI Interstate \$50
AK	\$12.82	AK	\$12.95	AK	\$13.01
MT	\$6.84	MT	\$6.80	MT	\$6.76
WY	\$5.11	WY	\$5.05	WY	\$5.00
ND	\$4.17	ND	\$4.21	ND	\$4.19
AR	\$3.53	AR	\$3.51	AR	\$3.50
SD	\$3.31	SD	\$3.31	SD	\$3.29
KS	\$2.59	KS	\$2.57	KS	\$2.54
OK	\$2.27	NM	\$2.22	OK	\$2.12
NM	\$2.23	OK	\$2.17	NM	\$2.07
NE	\$1.91	NE	\$1.79	LA	\$1.91
ID	\$1.85	ID	\$1.75	ID	\$1.66
WV	\$1.81	LA	\$1.69	NE	\$1.43
LA	\$1.77	VA	\$1.50	VA	\$1.35
VA	\$1.73	WV	\$1.45	WV	\$1.18
MS	\$1.55	ME	\$1.25	ME	\$1.15
ME	\$1.46	MS	\$1.15	IA	\$0.97
IA	\$1.04	IA	\$1.00	MS	\$0.89
MO	\$0.92	OR	\$0.78	OR	\$0.78
OR	\$0.77	MO	\$0.76	WI	\$0.72
WI	\$0.73	WI	\$0.71	SC	\$0.68
AL	\$0.73	SC	\$0.65	MO	\$0.65
MN	\$0.71	MN	\$0.65	MN	\$0.59
SC	\$0.64	AL	\$0.52	CO	\$0.53
CO	\$0.50	CO	\$0.52	AL	\$0.40
KY	\$0.35	TX	\$0.24	GA	\$0.24
TX	\$0.27	GA	\$0.21	TX	\$0.21
GA	\$0.17	KY	\$0.19	KY	\$0.11
TN	\$0.01	TN	(\$0.03)	NV	\$0.07
NC	(\$0.06)	AZ	(\$0.06)	AZ	(\$0.01)
NH	(\$0.07)	NH	(\$0.12)	TN	(\$0.04)
IN	(\$0.11)	NV	(\$0.13)	UT	(\$0.11)
MI	(\$0.13)	MI	(\$0.14)	MI	(\$0.13)
AZ	(\$0.14)	UT	(\$0.15)	WA	(\$0.20)
UT	(\$0.22)	IN	(\$0.18)	IN	(\$0.22)
NV	(\$0.24)	NC	(\$0.20)	NH	(\$0.25)
WA	(\$0.24)	WA	(\$0.21)	NC	(\$0.27)
VT	(\$0.38)	IL	(\$0.39)	IL	(\$0.39)
IL	(\$0.41)	CA	(\$0.42)	CA	(\$0.39)
PA	(\$0.48)	VT	(\$0.47)	PR	(\$0.47)
OH	(\$0.49)	PR	(\$0.50)	OH	(\$0.51)
CA	(\$0.49)	PA	(\$0.50)	NY	(\$0.51)
HI	(\$0.50)	NY	(\$0.51)	PA	(\$0.52)
NY	(\$0.55)	OH	(\$0.52)	VT	(\$0.54)
PR	(\$0.55)	HI	(\$0.53)	HI	(\$0.58)
FL	(\$0.78)	FL	(\$0.69)	FL	(\$0.65)
MD	(\$0.93)	MA	(\$0.84)	MA	(\$0.79)
MA	(\$0.94)	MD	(\$0.88)	DC	(\$0.83)
DC	(\$1.01)	DC	(\$0.89)	MD	(\$0.84)
RI	(\$1.10)	RI	(\$1.00)	RI	(\$0.93)
DE	(\$1.11)	CT	(\$1.04)	NJ	(\$0.93)
CT	(\$1.14)	NJ	(\$1.04)	CT	(\$0.97)
NJ	(\$1.18)	DE	(\$1.06)	DE	(\$1.00)

Receiver
Payer

VIII. Option 4A: Figure 15

Figure 15: Option 4A: FCC Plan: 25% Interstate/75% State, Remaining State Responsibility per Access Line per Month, BCPM

State	BCPM State \$30	State	BCPM State \$40	State	BCPM State \$50
WV	\$15.93	WY	\$12.97	WY	\$12.15
MS	\$15.72	MS	\$12.37	MS	\$10.16
WY	\$14.65	WV	\$12.30	WV	\$9.89
MT	\$11.02	ID	\$9.64	MT	\$8.74
ID	\$10.03	MT	\$9.47	SD	\$8.32
SD	\$10.00	SD	\$8.92	NV	\$7.59
NV	\$9.53	NV	\$8.15	ID	\$7.36
NE	\$8.94	NE	\$7.79	NE	\$7.20
VA	\$8.70	VA	\$6.42	ND	\$6.00
AL	\$8.65	ND	\$6.38	MO	\$5.22
KY	\$8.02	MO	\$6.15	OK	\$5.05
OK	\$7.81	AL	\$6.14	KS	\$4.96
MO	\$7.70	OK	\$5.98	VA	\$4.91
AR	\$7.49	KY	\$5.97	IA	\$4.82
NM	\$7.22	KS	\$5.56	NM	\$4.80
ND	\$7.04	NM	\$5.55	AL	\$4.72
ME	\$6.98	AR	\$5.55	KY	\$4.66
LA	\$6.93	IA	\$5.51	MN	\$4.63
IA	\$6.88	MN	\$5.31	AR	\$4.51
KS	\$6.60	ME	\$5.10	LA	\$4.08
MN	\$6.54	LA	\$4.42	ME	\$3.93
NC	\$5.53	TX	\$4.21	TX	\$3.59
TX	\$5.48	IN	\$3.75	IN	\$2.82
IN	\$5.47	OR	\$3.37	OR	\$2.80
TN	\$4.91	NC	\$3.34	WA	\$2.65
VT	\$4.83	WI	\$3.15	WI	\$2.55
NH	\$4.80	NH	\$3.15	VT	\$2.55
SC	\$4.70	WA	\$3.14	CO	\$2.37
OR	\$4.54	TN	\$3.13	NH	\$2.33
WA	\$4.29	CO	\$2.79	TN	\$2.21
WI	\$4.20	Nationwide Avg.	\$2.56	Nationwide Avg.	\$2.20
GA	\$3.89	GA	\$2.52	NC	\$2.19
OH	\$3.89	OH	\$2.50	SC	\$2.00
Nationwide Avg.	\$3.88	SC	\$2.45	GA	\$1.87
CO	\$3.83	MI	\$2.40	IL	\$1.87
AZ	\$3.73	AZ	\$2.39	MI	\$1.80
MI	\$3.52	PA	\$1.90	OH	\$1.80
PA	\$3.04	UT	\$1.58	AZ	\$1.64
IL	\$3.04	DE	\$1.33	PA	\$1.32
DE	\$2.38	HI	\$1.20	UT	\$1.31
UT	\$2.37	NY	\$1.11	HI	\$0.88
PR	\$2.22	CA	\$1.04	CA	\$0.85
HI	\$1.97	FL	\$0.86	NY	\$0.81
CT	\$1.81	MD	\$0.80	DE	\$0.76
FL	\$1.71	CT	\$0.62	FL	\$0.61
NY	\$1.68	RI	\$0.49	MD	\$0.48
MD	\$1.59	PR	\$0.48	CT	\$0.27
RI	\$1.52	MA	\$0.42	MA	\$0.25
CA	\$1.47	VT	\$0.19	RI	\$0.19
MA	\$1.03	AK	\$0.15	PR	\$0.17
NJ	\$0.47	NJ	\$0.14	AK	\$0.11
AK	\$0.38	IL	\$0.06	NJ	\$0.07
DC	\$0.01	DC	\$0.00	DC	\$0.00

VIII. Option 4A: Figure 16

Figure 16: Option 4A FCC Plan: 25% Interstate/75% State, Remaining State Responsibility per Access Line per Month, HAI

State	HAI Interstate \$30	State	HAI Interstate \$40	State	HAI Interstate \$50
MS	\$4.41	NE	\$3.45	WY	\$2.42
NE	\$4.38	WY	\$2.92	MT	\$2.17
WV	\$4.12	MS	\$2.72	NE	\$1.87
WY	\$3.76	MT	\$2.68	SD	\$1.85
MT	\$3.49	WV	\$2.37	ND	\$1.72
SD	\$3.00	SD	\$2.27	NV	\$1.67
VA	\$2.98	ND	\$2.20	MS	\$1.66
ND	\$2.77	ID	\$1.86	LA	\$1.33
ID	\$2.75	MO	\$1.66	ID	\$1.28
ME	\$2.67	VA	\$1.58	WV	\$1.19
MO	\$2.51	ME	\$1.43	MO	\$1.11
AL	\$2.31	OK	\$1.41	OK	\$1.04
OK	\$2.15	MN	\$1.40	MN	\$1.01
MN	\$2.00	NV	\$1.31	AR	\$0.86
KY	\$1.83	AL	\$1.26	ME	\$0.85
AR	\$1.80	AR	\$1.18	KS	\$0.80
IA	\$1.78	KS	\$1.15	VA	\$0.74
NM	\$1.65	IA	\$1.11	IA	\$0.70
KS	\$1.64	NM	\$1.06	AL	\$0.68
NC	\$1.60	TX	\$0.85	TX	\$0.60
VT	\$1.55	VT	\$0.85	CO	\$0.53
NV	\$1.48	HI	\$0.83	WA	\$0.52
LA	\$1.43	KY	\$0.82	HI	\$0.49
NH	\$1.43	LA	\$0.80	UT	\$0.44
HI	\$1.27	CO	\$0.75	AZ	\$0.43
TX	\$1.25	NC	\$0.75	VT	\$0.41
CO	\$1.18	NH	\$0.71	Nationwide Avg.	\$0.33
IN	\$1.10	WA	\$0.70	NC	\$0.32
WA	\$1.01	UT	\$0.55	KY	\$0.30
TN	\$0.97	IN	\$0.55	OR	\$0.30
OR	\$0.93	AZ	\$0.54	NM	\$0.25
Nationwide Avg.	\$0.91	Nationwide Avg.	\$0.53	IL	\$0.25
PA	\$0.80	OR	\$0.52	IN	\$0.25
UT	\$0.77	TN	\$0.42	GA	\$0.21
WI	\$0.76	IL	\$0.42	AK	\$0.21
AZ	\$0.75	PA	\$0.38	WI	\$0.16
OH	\$0.73	GA	\$0.37	TN	\$0.15
GA	\$0.72	WI	\$0.34	OH	\$0.14
SC	\$0.71	NY	\$0.32	PA	\$0.14
IL	\$0.68	OH	\$0.30	MI	\$0.13
MI	\$0.58	MI	\$0.25	CA	\$0.12
NY	\$0.57	AK	\$0.23	NY	\$0.11
DE	\$0.36	SC	\$0.22	NJ	\$0.10
MD	\$0.36	CA	\$0.16	FL	\$0.09
FL	\$0.30	FL	\$0.16	SC	\$0.07
AK	\$0.25	MD	\$0.13	MD	\$0.06
CA	\$0.23	DE	\$0.06	MA	\$0.02
CT	\$0.20	MA	\$0.05	DE	\$0.01
MA	\$0.13	CT	\$0.04	CT	\$0.01
RI	\$0.10	PR	\$0.02	NH	\$0.01
PR	\$0.07	RI	\$0.01	RI	\$0.00
NJ	\$0.03	NJ	\$0.01	PR	\$0.00
DC	\$0.00	DC	\$0.00	DC	\$0.00

IX. Option 4B: Modified FCC Plan: 40% Interstate/60% State

Option 4B: Modified FCC Plan: 40% Interstate/60% State

This option shows the impact on the FCC Plan of increasing the interstate (federal) responsibility for the high cost fund from 25% to 40%. The remaining potential state responsibility is decreased from 75% to 60%. All other calculations for this model are identical to those for the FCC's Plan, Option 4A.

Figures 17 and 18 show the distribution to the states of the interstate fund and **Figures 19 and 20** show the remaining state responsibility.

Monthly Surcharges for Option 4B: Modified FCC Plan: 40% Interstate/60% State

Amount of Benchmark (in dollars)	Option 4B: Nationwide Surcharge*			Interstate Fund (in millions)			Remaining State Responsibility (in millions)		
	\$30	\$40	\$50	\$30	\$40	\$50	\$30	\$40	\$50
BCPM	7.6%	5.7%	5.1%	\$5,484 m	\$4,085 m	\$3,696 m	\$6,186 m	\$4,087 m	\$3,504 m
HAI	3.1%	2.6%	2.3%	\$2,267 m	\$1,893 m	\$1,695 m	\$1,361 m	\$799 m	\$503 m

*This hypothetical surcharge is based on 40% of 1996 interstate retail revenues. This surcharge is for comparison purposes only. Actual collection is through service rates.

IX. Option 4B: Figure 17

Figure 17: Option 4B: Modified FCC Plan: 40% Interstate/60% State, Net Payers and Receivers per Access Line per Month, BCPM

State	BCPM Interstate \$30	State	BCPM Interstate \$40	State	BCPM Interstate \$50
AK	\$10.84	AK	\$11.54	AK	\$11.75
MT	\$9.68	MT	\$9.73	MT	\$9.59
WY	\$9.26	WY	\$9.39	WY	\$9.24
WV	\$7.26	WV	\$6.07	SD	\$5.92
MS	\$6.65	SD	\$5.99	ND	\$5.64
SD	\$5.64	MS	\$5.62	WV	\$4.99
AR	\$5.28	ND	\$5.59	MS	\$4.65
ND	\$5.02	AR	\$4.96	AR	\$4.61
ID	\$4.08	ID	\$4.79	KS	\$3.84
OK	\$4.07	KS	\$3.95	ID	\$3.82
KS	\$3.77	OK	\$3.77	NE	\$3.60
NE	\$3.56	NE	\$3.71	OK	\$3.47
LA	\$3.32	NM	\$3.26	NM	\$3.13
NM	\$3.21	VA	\$2.83	LA	\$2.66
VA	\$3.08	LA	\$2.65	VA	\$2.29
AL	\$2.90	IA	\$2.41	IA	\$2.25
ME	\$2.62	MO	\$2.37	NV	\$2.12
MO	\$2.52	ME	\$2.34	MO	\$2.06
IA	\$2.41	AL	\$2.24	ME	\$1.92
KY	\$2.05	NV	\$2.14	MN	\$1.70
NV	\$1.90	MN	\$1.87	AL	\$1.68
MN	\$1.83	KY	\$1.76	KY	\$1.28
WI	\$1.27	WI	\$1.30	WI	\$1.14
TX	\$1.24	TX	\$1.17	TX	\$1.01
SC	\$0.97	OR	\$1.09	OR	\$1.00
OR	\$0.94	IN	\$0.56	SC	\$0.53
IN	\$0.85	SC	\$0.55	CO	\$0.24
NC	\$0.56	TN	\$0.28	IN	\$0.24
TN	\$0.50	CO	\$0.20	TN	(\$0.01)
MI	\$0.22	MI	\$0.15	MI	(\$0.02)
GA	(\$0.12)	NC	\$0.11	GA	(\$0.11)
CO	(\$0.15)	GA	(\$0.00)	WA	(\$0.11)
WA	(\$0.21)	WA	(\$0.06)	NC	(\$0.30)
OH	(\$0.34)	NH	(\$0.40)	IL	(\$0.44)
VT	(\$0.36)	OH	(\$0.41)	VT	(\$0.55)
PR	(\$0.46)	AZ	(\$0.48)	NH	(\$0.56)
NH	(\$0.53)	PA	(\$0.76)	OH	(\$0.61)
IL	(\$0.62)	CA	(\$0.85)	AZ	(\$0.63)
AZ	(\$0.65)	UT	(\$0.91)	CA	(\$0.80)
PA	(\$0.82)	PR	(\$0.97)	UT	(\$0.82)
CA	(\$1.15)	NY	(\$1.25)	PA	(\$0.88)
UT	(\$1.32)	HI	(\$1.35)	PR	(\$1.01)
HI	(\$1.63)	IL	(\$1.57)	NY	(\$1.21)
NY	(\$1.65)	FL	(\$1.59)	HI	(\$1.33)
FL	(\$1.89)	MD	(\$1.82)	FL	(\$1.51)
MD	(\$2.18)	MA	(\$1.86)	MA	(\$1.75)
DE	(\$2.22)	DE	(\$1.89)	MD	(\$1.77)
MA	(\$2.25)	VT	(\$2.03)	DC	(\$1.94)
RI	(\$2.43)	DC	(\$2.15)	DE	(\$1.95)
CT	(\$2.58)	RI	(\$2.15)	RI	(\$2.08)
DC	(\$2.88)	CT	(\$2.30)	CT	(\$2.23)
NJ	(\$3.16)	NJ	(\$2.46)	NJ	(\$2.26)

Receiver
Payer

IX. Option 4B: Figure 18

Figure 18: Option 4B: Modified FCC Plan: 40% Interstate/60% State, Net Payers and Receivers per Access Line per Month, HAI

State	HAI Interstate \$30	State	HAI Interstate \$40	State	HAI Interstate \$50	
AK	\$12.66	AK	\$12.88	AK	\$12.98	
MT	\$7.11	MT	\$7.04	MT	\$6.98	
WY	\$5.48	WY	\$5.38	WY	\$5.31	
ND	\$4.29	ND	\$4.35	ND	\$4.32	
AR	\$3.61	AR	\$3.57	AR	\$3.55	
SD	\$3.49	SD	\$3.48	SD	\$3.46	
KS	\$2.68	KS	\$2.66	KS	\$2.61	
OK	\$2.49	OK	\$2.32	OK	\$2.25	
NE	\$2.45	NM	\$2.26	LA	\$2.10	
WV	\$2.31	NE	\$2.24	NM	\$2.03	
NM	\$2.28	ID	\$1.94	ID	\$1.80	
MS	\$2.20	LA	\$1.74	NE	\$1.66	
ID	\$2.10	WV	\$1.73	VA	\$1.38	
VA	\$2.00	VA	\$1.63	WV	\$1.31	
LA	\$1.87	MS	\$1.55	ME	\$1.22	
ME	\$1.72	ME	\$1.37	MS	\$1.13	
MO	\$1.22	IA	\$1.06	IA	\$1.00	
IA	\$1.13	MO	\$0.98	MO	\$0.80	
AL	\$0.98	MN	\$0.79	OR	\$0.76	
MN	\$0.89	OR	\$0.76	MN	\$0.71	
OR	\$0.74	WI	\$0.69	WI	\$0.69	
WI	\$0.71	AL	\$0.65	SC	\$0.62	
SC	\$0.55	SC	\$0.57	CO	\$0.55	
CO	\$0.50	CO	\$0.53	AL	\$0.47	
KY	\$0.47	TX	\$0.31	NV	\$0.29	
TX	\$0.36	KY	\$0.21	TX	\$0.27	
GA	\$0.09	GA	\$0.16	GA	\$0.20	
NC	\$0.07	NV	(\$0.02)	KY	\$0.09	Receiver
TN	\$0.00	TN	(\$0.06)	AZ	(\$0.01)	Payer
IN	(\$0.05)	AZ	(\$0.08)	TN	(\$0.08)	
NH	(\$0.05)	NH	(\$0.13)	UT	(\$0.11)	
MI	(\$0.15)	NC	(\$0.16)	MI	(\$0.16)	
NV	(\$0.20)	IN	(\$0.17)	WA	(\$0.17)	
AZ	(\$0.22)	MI	(\$0.17)	IN	(\$0.23)	
WA	(\$0.24)	UT	(\$0.17)	NC	(\$0.27)	
UT	(\$0.28)	WA	(\$0.19)	NH	(\$0.34)	
VT	(\$0.28)	IL	(\$0.40)	IL	(\$0.39)	
HI	(\$0.41)	VT	(\$0.42)	CA	(\$0.41)	
IL	(\$0.43)	HI	(\$0.46)	PR	(\$0.51)	
PA	(\$0.49)	CA	(\$0.47)	VT	(\$0.53)	
OH	(\$0.51)	PA	(\$0.53)	OH	(\$0.54)	
CA	(\$0.58)	NY	(\$0.55)	HI	(\$0.55)	
NY	(\$0.61)	OH	(\$0.55)	PA	(\$0.55)	
PR	(\$0.64)	PR	(\$0.56)	NY	(\$0.56)	
FL	(\$0.90)	FL	(\$0.77)	FL	(\$0.70)	
MD	(\$1.05)	MA	(\$0.94)	MA	(\$0.85)	
MA	(\$1.09)	MD	(\$0.96)	DC	(\$0.89)	
DC	(\$1.19)	DC	(\$0.99)	MD	(\$0.89)	
DE	(\$1.25)	RI	(\$1.11)	NJ	(\$0.99)	
RI	(\$1.28)	CT	(\$1.16)	RI	(\$1.00)	
CT	(\$1.33)	NJ	(\$1.16)	CT	(\$1.05)	
NJ	(\$1.39)	DE	(\$1.17)	DE	(\$1.07)	

IX. Option 4B: Figure 19

Figure 19: Option 4B: Modified FCC Plan: 40% Interstate/60% State, Remaining State Responsibility per Access Line per Month, BCPM

State	BCPM State \$30	State	BCPM State \$40	State	BCPM State \$50
WV	\$12.74	WY	\$10.37	WY	\$9.72
MS	\$12.57	MS	\$9.90	MS	\$8.13
WY	\$11.72	WV	\$9.84	WV	\$7.92
MT	\$8.82	ID	\$7.72	MT	\$7.00
ID	\$8.02	MT	\$7.58	SD	\$6.65
SD	\$8.00	SD	\$7.14	NV	\$6.07
NV	\$7.62	NV	\$6.52	ID	\$5.89
NE	\$7.15	NE	\$6.24	NE	\$5.76
VA	\$6.96	VA	\$5.14	ND	\$4.80
AL	\$6.92	ND	\$5.10	MO	\$4.18
KY	\$6.42	MO	\$4.92	OK	\$4.04
OK	\$6.25	AL	\$4.91	KS	\$3.97
MO	\$6.16	OK	\$4.78	VA	\$3.93
AR	\$5.99	KY	\$4.78	IA	\$3.85
NM	\$5.78	KS	\$4.45	NM	\$3.84
ND	\$5.63	NM	\$4.44	AL	\$3.78
ME	\$5.58	AR	\$4.44	KY	\$3.73
LA	\$5.54	IA	\$4.41	MN	\$3.70
IA	\$5.50	MN	\$4.25	AR	\$3.61
KS	\$5.28	ME	\$4.08	LA	\$3.27
MN	\$5.23	LA	\$3.53	ME	\$3.14
NC	\$4.43	TX	\$3.36	TX	\$2.87
TX	\$4.38	IN	\$3.00	IN	\$2.26
IN	\$4.37	OR	\$2.69	OR	\$2.24
TN	\$3.93	NC	\$2.67	WA	\$2.12
VT	\$3.87	WI	\$2.52	WI	\$2.04
NH	\$3.84	NH	\$2.52	VT	\$2.04
SC	\$3.76	WA	\$2.51	CO	\$1.90
OR	\$3.63	TN	\$2.50	NH	\$1.86
WA	\$3.44	CO	\$2.23	TN	\$1.77
WI	\$3.36	Nationwide Avg.	\$2.05	Nationwide Avg.	\$1.76
GA	\$3.11	GA	\$2.02	NC	\$1.75
OH	\$3.11	OH	\$2.00	SC	\$1.60
Nationwide Avg.	\$3.10	SC	\$1.96	GA	\$1.50
CO	\$3.07	MI	\$1.92	IL	\$1.49
AZ	\$2.98	AZ	\$1.91	MI	\$1.44
MI	\$2.82	PA	\$1.52	OH	\$1.44
PA	\$2.43	UT	\$1.26	AZ	\$1.31
IL	\$2.43	DE	\$1.07	PA	\$1.06
DE	\$1.90	HI	\$0.96	UT	\$1.05
UT	\$1.90	NY	\$0.89	HI	\$0.71
PR	\$1.78	CA	\$0.83	CA	\$0.68
HI	\$1.58	FL	\$0.69	NY	\$0.65
CT	\$1.45	MD	\$0.64	DE	\$0.61
FL	\$1.37	CT	\$0.49	FL	\$0.49
NY	\$1.35	RI	\$0.39	MD	\$0.39
MD	\$1.27	PR	\$0.38	CT	\$0.21
RI	\$1.21	MA	\$0.34	MA	\$0.20
CA	\$1.18	VT	\$0.15	RI	\$0.15
MA	\$0.83	AK	\$0.12	PR	\$0.14
NJ	\$0.37	NJ	\$0.11	AK	\$0.09
AK	\$0.31	IL	\$0.05	NJ	\$0.05
DC	\$0.00	DC	\$0.00	DC	\$0.00

IX. Option 4B: Figure 20

Figure 20: Option 4B: Modified FCC Plan: 40% Interstate/60% State, Remaining State Responsibility per Access Line per Month, HAI

State	HAI Interstate \$30	State	HAI Interstate \$40	State	HAI Interstate \$50
MS	\$3.30	NE	\$2.25	WY	\$1.61
NE	\$2.87	MS	\$2.03	MS	\$1.24
WV	\$2.74	WY	\$1.94	NV	\$1.24
WY	\$2.50	WV	\$1.58	NE	\$1.23
VA	\$2.02	MT	\$1.48	MT	\$1.20
MT	\$1.93	ID	\$1.28	LA	\$0.99
ID	\$1.89	MO	\$1.23	SD	\$0.99
MO	\$1.87	SD	\$1.21	ID	\$0.88
ME	\$1.73	ND	\$1.09	ND	\$0.85
AL	\$1.69	VA	\$1.07	MO	\$0.83
SD	\$1.60	OK	\$1.00	WV	\$0.79
OK	\$1.52	MN	\$0.99	OK	\$0.74
MN	\$1.41	NV	\$0.98	MN	\$0.71
ND	\$1.37	ME	\$0.93	ME	\$0.55
KY	\$1.28	AL	\$0.92	KS	\$0.54
VT	\$1.20	KS	\$0.77	VA	\$0.50
NC	\$1.19	NM	\$0.72	AL	\$0.49
NM	\$1.13	HI	\$0.67	AR	\$0.47
NV	\$1.10	VT	\$0.66	TX	\$0.46
KS	\$1.10	IA	\$0.65	IA	\$0.41
NH	\$1.07	TX	\$0.65	CO	\$0.41
LA	\$1.06	AR	\$0.65	WA	\$0.39
IA	\$1.05	LA	\$0.59	HI	\$0.39
HI	\$1.01	CO	\$0.58	UT	\$0.33
AR	\$0.99	KY	\$0.57	AZ	\$0.32
TX	\$0.96	NC	\$0.56	VT	\$0.31
CO	\$0.90	NH	\$0.53	Nationwide Avg.	\$0.25
IN	\$0.84	WA	\$0.52	NC	\$0.24
WA	\$0.75	UT	\$0.42	KY	\$0.21
Nationwide Avg.	\$0.68	IN	\$0.42	OR	\$0.21
TN	\$0.68	AZ	\$0.41	IL	\$0.19
OR	\$0.65	Nationwide Avg.	\$0.40	IN	\$0.19
PA	\$0.61	OR	\$0.36	NM	\$0.17
UT	\$0.58	IL	\$0.32	AK	\$0.17
OH	\$0.57	TN	\$0.29	GA	\$0.15
AZ	\$0.56	PA	\$0.29	OH	\$0.11
IL	\$0.53	GA	\$0.27	TN	\$0.11
GA	\$0.52	NY	\$0.25	WI	\$0.11
WI	\$0.50	OH	\$0.23	PA	\$0.10
MI	\$0.44	WI	\$0.23	MI	\$0.10
NY	\$0.44	MI	\$0.19	CA	\$0.10
SC	\$0.42	AK	\$0.18	NY	\$0.09
DE	\$0.29	CA	\$0.13	NJ	\$0.08
MD	\$0.28	SC	\$0.13	FL	\$0.07
FL	\$0.23	FL	\$0.12	MD	\$0.04
AK	\$0.20	MD	\$0.11	SC	\$0.04
CA	\$0.18	DE	\$0.04	MA	\$0.02
CT	\$0.16	MA	\$0.04	DE	\$0.01
MA	\$0.10	CT	\$0.03	CT	\$0.01
RI	\$0.08	PR	\$0.01	NH	\$0.01
PR	\$0.06	RI	\$0.01	RI	\$0.00
NJ	\$0.02	NJ	\$0.01	PR	\$0.00
DC	\$0.00	DC	\$0.00	DC	\$0.00

X. Option 5: Telephone Numbers

Option 5: Telephone Numbers

This option is an overall approach to funding the high cost fund without regard to past interstate/state jurisdictional distinctions. The entire fund is recovered from one mechanism.

This option assumes the federal fund will recover 100% of the support calculated at the representative benchmarks. The high cost fund charge is assessed to customers based upon phone numbers in service.

Monthly Surcharges for Option 5: Telephone Numbers

Amount of Benchmark (in dollars)	Option 5: Nationwide Surcharge* per Telephone Number per Month (in dollars)			Total Fund (in millions)		
	\$30	\$40	\$50	\$30	\$40	\$50
BCPM	\$4.20	\$2.94	\$2.59	\$11,670 m	\$8,173 m	\$7,201 m
HAI	\$1.31	\$0.97	\$0.79	\$3,628 m	\$2,692 m	\$2,198 m

*This hypothetical surcharge is based on 1996 total (interstate and state) retail revenues. This surcharge would apply to each telephone number per month. To be competitively neutral, this surcharge should be applied entirely to the end user and must be applied by all companies to their customers.

The above chart contains nationwide surcharges that would apply to each telephone number per month under **Option 5**. The data is the sum of the 1998 calculated rural amounts (**Figure 2**) for the high cost fund and results from the proxy models (BCPM and HAI) for the three benchmark levels. This surcharge is calculated using the total fund (interstate and state) generated from each model for a given benchmark divided by the total number of telephone numbers divided by twelve months.

To be competitively neutral, this surcharge should be applied entirely to the end user and must be applied by all companies to their customers.

Figures 21 and 22 indicate the amount paid and received per month per number in each state. The monthly per line amount for each state is calculated by subtracting from the total subsidy for each state the product of the surcharge per telephone number per month times the number of telephone numbers in the state times twelve. The result is then divided by the number of access lines in the state and by twelve months to produce payers and receivers on a per line basis.

As with the earlier charts, a positive amount indicates a net receiver and a negative amount indicates a net payer. Since the results are on a per access line basis instead of on a per telephone number basis, in all cases the amount paid is overstated. In reality, no customer with a single phone number would pay more than the estimated surcharge listed above.

X. Option 5: Figure 21

Figure 21: Option 5: Telephone Numbers, Net Payers and Receivers per Access Line per Month, BCPM

State	BCPM	State	BCPM	State	BCPM
	\$30		\$40		\$50
WY	\$19.81	WY	\$19.12	WY	\$18.48
WV	\$17.81	MT	\$16.89	MT	\$16.27
MT	\$17.68	WV	\$14.51	AK	\$12.43
MS	\$16.40	MS	\$13.67	SD	\$12.38
SD	\$12.99	SD	\$12.83	WV	\$11.72
AK	\$11.81	AK	\$12.27	MS	\$11.20
ND	\$10.40	ID	\$11.45	ND	\$10.49
ID	\$10.37	ND	\$10.67	ID	\$8.84
AR	\$9.82	NE	\$8.61	NE	\$8.23
NE	\$8.61	AR	\$8.51	AR	\$7.48
VA	\$8.58	NV	\$7.37	NV	\$7.11
OK	\$7.53	VA	\$7.12	KS	\$6.55
NV	\$7.43	KS	\$6.92	NM	\$6.21
NM	\$7.42	NM	\$6.76	OK	\$5.94
AL	\$6.87	OK	\$6.73	VA	\$5.53
KS	\$6.75	IA	\$5.76	IA	\$5.22
KY	\$6.24	MO	\$5.21	MO	\$4.46
IA	\$6.22	AL	\$5.20	LA	\$4.16
ME	\$6.04	KY	\$5.12	ME	\$3.89
LA	\$5.76	ME	\$5.04	MN	\$3.87
MO	\$5.55	MN	\$4.33	KY	\$3.82
MN	\$4.33	LA	\$4.13	AL	\$3.78
SC	\$3.24	OR	\$2.25	OR	\$1.95
OR	\$2.19	TX	\$2.15	TX	\$1.82
TX	\$2.06	WI	\$1.97	WI	\$1.59
NC	\$2.02	SC	\$1.60	SC	\$1.39
WI	\$1.85	IN	\$1.27	CO	\$0.89
TN	\$1.83	TN	\$1.09	IN	\$0.52
IN	\$1.78	NH	\$1.01	WA	\$0.48
NH	\$1.47	CO	\$0.96	NH	\$0.40
GA	\$0.73	NC	\$0.84	TN	\$0.32
VT	\$0.65	WA	\$0.65	GA	\$0.17
CO	\$0.58	GA	\$0.57	VT	(\$0.09)
WA	\$0.46	AZ	(\$0.00)	NC	(\$0.21)
AZ	\$0.05	MI	(\$0.55)	AZ	(\$0.53)
OH	(\$0.64)	OH	(\$0.69)	MI	(\$0.86)
MI	(\$0.84)	UT	(\$1.33)	IL	(\$1.01)
PA	(\$1.64)	PA	(\$1.40)	OH	(\$1.13)
IL	(\$1.77)	NY	(\$2.48)	UT	(\$1.20)
UT	(\$2.04)	DE	(\$2.58)	PA	(\$1.68)
DE	(\$3.05)	HI	(\$2.73)	NY	(\$2.38)
PR	(\$3.16)	CA	(\$2.77)	CA	(\$2.50)
NY	(\$3.52)	FL	(\$2.96)	HI	(\$2.62)
HI	(\$3.55)	MD	(\$3.28)	FL	(\$2.79)
FL	(\$3.66)	CT	(\$3.43)	DE	(\$2.83)
CT	(\$3.68)	PR	(\$3.65)	MD	(\$3.18)
CA	(\$4.04)	RI	(\$3.72)	CT	(\$3.38)
MD	(\$4.09)	VT	(\$3.73)	MA	(\$3.48)
RI	(\$4.23)	MA	(\$3.78)	PR	(\$3.55)
MA	(\$4.82)	IL	(\$3.92)	RI	(\$3.60)
NJ	(\$5.58)	NJ	(\$4.15)	NJ	(\$3.74)
DC	(\$6.50)	DC	(\$4.56)	DC	(\$4.02)

Receiver
Payer

X. Option 5: Figure 22

Figure 22: Option 5: Telephone Numbers, Net Payers and Receivers per Access Line per Month, HAI

State	HAI	State	HAI	State	HAI
	\$30		\$40		\$50
AK	\$13.40	AK	\$13.58	AK	\$13.66
MT	\$9.13	MT	\$8.72	MT	\$8.44
WY	\$8.04	WY	\$7.52	WY	\$7.19
ND	\$5.95	ND	\$5.79	ND	\$5.56
SD	\$5.25	SD	\$4.95	SD	\$4.76
NE	\$4.96	NE	\$4.35	AR	\$4.09
MS	\$4.93	AR	\$4.21	KS	\$3.07
WV	\$4.67	MS	\$3.27	NE	\$2.85
AR	\$4.43	ID	\$3.23	LA	\$2.82
VA	\$3.95	KS	\$3.23	ID	\$2.79
ID	\$3.82	WV	\$3.14	OK	\$2.78
OK	\$3.41	NM	\$3.05	NM	\$2.35
KS	\$3.37	OK	\$2.98	MS	\$2.20
NM	\$3.30	VA	\$2.79	VA	\$2.07
ME	\$3.07	ME	\$2.13	WV	\$2.05
MO	\$2.39	LA	\$1.92	ME	\$1.71
LA	\$2.24	MO	\$1.79	NV	\$1.60
AL	\$2.03	IA	\$1.65	IA	\$1.44
IA	\$1.95	MN	\$1.46	MO	\$1.36
MN	\$1.73	AL	\$1.19	MN	\$1.24
KY	\$1.38	CO	\$0.98	CO	\$0.95
CO	\$1.04	OR	\$0.92	OR	\$0.89
OR	\$0.96	NV	\$0.91	SC	\$0.75
NH	\$0.86	SC	\$0.71	AL	\$0.73
SC	\$0.82	KY	\$0.63	WI	\$0.55
NV	\$0.64	WI	\$0.53	TX	\$0.35
NC	\$0.63	NH	\$0.43	GA	\$0.32
WI	\$0.58	TX	\$0.42	AZ	\$0.30
TX	\$0.46	GA	\$0.28	KY	\$0.26
VT	\$0.36	AZ	\$0.20	UT	\$0.13
GA	\$0.24	NC	\$0.04	WA	\$0.06
TN	\$0.17	WA	\$0.04	TN	(\$0.12)
AZ	(\$0.01)	UT	\$0.02	NH	(\$0.20)
IN	(\$0.03)	TN	(\$0.04)	NC	(\$0.25)
WA	(\$0.04)	VT	(\$0.06)	VT	(\$0.37)
UT	(\$0.17)	IN	(\$0.26)	IN	(\$0.39)
HI	(\$0.21)	HI	(\$0.29)	HI	(\$0.49)
PA	(\$0.62)	IL	(\$0.62)	MI	(\$0.53)
MI	(\$0.70)	MI	(\$0.64)	IL	(\$0.57)
OH	(\$0.73)	PA	(\$0.69)	NY	(\$0.74)
IL	(\$0.76)	NY	(\$0.72)	PA	(\$0.75)
NY	(\$0.88)	OH	(\$0.81)	OH	(\$0.76)
FL	(\$1.34)	CA	(\$1.03)	CA	(\$0.83)
CA	(\$1.44)	FL	(\$1.03)	FL	(\$0.86)
MD	(\$1.45)	MD	(\$1.24)	NJ	(\$1.02)
DE	(\$1.46)	CT	(\$1.30)	MD	(\$1.08)
CT	(\$1.59)	DE	(\$1.36)	CT	(\$1.09)
MA	(\$1.75)	MA	(\$1.36)	MA	(\$1.13)
PR	(\$1.80)	PR	(\$1.39)	PR	(\$1.15)
RI	(\$1.81)	NJ	(\$1.41)	DE	(\$1.16)
NJ	(\$1.88)	RI	(\$1.43)	RI	(\$1.17)
DC	(\$2.02)	DC	(\$1.50)	DC	(\$1.23)

Receiver
Payer

XI. Option 6: Percentage of Retail Revenues

Option 6: Percentage of Retail Revenues

This option is an overall approach with the entire fund being recovered using one mechanism. The basis for assessment of the dollars is a uniform percent charge on total retail revenues.

Like the previous telephone numbers option, the revenues option assumes the federal fund recovers 100% of the support calculated at the three benchmark levels. The high cost fund charge is assessed as a percentage of retail revenues on the customer's bill.

The uniform percent surcharge is calculated by using the total fund (interstate and state) generated from each model for a given benchmark divided by total (interstate and state) 1995 retail revenues. The data is the sum of the 1998 calculated rural amounts (**Figure 2**) for the high cost fund and results from the proxy models (BCPM and HAI) for the three benchmark levels.

Monthly Surcharges for Option 6: Percentage of Retail Revenues

Amount of Benchmark (in dollars)	Option 6: Nationwide Surcharge* on Percentage of Retail Revenues(%)			Total Fund (in millions)		
	\$30	\$40	\$50	\$30	\$40	\$50
BCPM	6.2%	4.3%	3.8%	\$11,670 m	\$8,173 m	\$7,201 m
HAI	1.9%	1.4%	1.2%	\$3,628 m	\$2,692 m	\$2,198 m

*This hypothetical surcharge is based on 1996 total (interstate and state) retail revenues. To be competitively neutral, this surcharge should be applied entirely to the end user and must be applied by all companies to their customers.

Figures 23 and 24 compare the amount paid and received as a percentage of retail revenues in each state. The monthly per line amount for each state is calculated by subtracting from the total subsidy for each state the product of the surcharge on percentage of retail revenues and the total retail revenues (interstate and state) for this same state. The result is then divided by the number of access lines in the state and by twelve months to produce payers and receivers on a per line basis. As with the earlier charts, a positive amount indicates a net receiver and a negative amount indicates a net payer.

XI. Option 6: Figure 23

Figure 23: Option 6: Percentage of Retail Revenues, Net Payers and Receivers per Access Line per Month, BCPM

State	BCPM	State	BCPM	State	BCPM
	\$30		\$40		\$50
WY	\$18.42	WY	\$18.15	WY	\$17.62
WV	\$16.82	MT	\$15.41	MT	\$14.97
MS	\$15.77	WV	\$13.82	WV	\$11.12
MT	\$15.56	MS	\$13.23	SD	\$11.01
SD	\$10.77	SD	\$11.28	MS	\$10.81
ID	\$9.65	ID	\$10.95	AK	\$10.17
AR	\$8.21	AK	\$9.70	ND	\$8.72
AK	\$8.14	ND	\$8.67	ID	\$8.40
NV	\$7.81	NV	\$7.63	NV	\$7.35
OK	\$7.58	NE	\$7.59	NE	\$7.33
ND	\$7.54	AR	\$7.38	AR	\$6.49
VA	\$7.32	OK	\$6.76	KS	\$6.16
NE	\$7.16	KS	\$6.48	OK	\$5.97
AL	\$6.55	VA	\$6.24	NM	\$5.41
KS	\$6.12	NM	\$5.86	VA	\$4.76
NM	\$6.12	MO	\$5.36	MO	\$4.59
MO	\$5.75	AL	\$4.98	IA	\$4.52
ME	\$5.55	IA	\$4.97	LA	\$4.01
LA	\$5.51	ME	\$4.70	MN	\$3.77
IA	\$5.08	KY	\$4.28	AL	\$3.59
KY	\$5.05	MN	\$4.21	ME	\$3.59
MN	\$4.16	LA	\$3.96	KY	\$3.08
TX	\$2.42	TX	\$2.40	TX	\$2.04
IN	\$2.09	OR	\$2.03	OR	\$1.76
OR	\$1.87	WI	\$1.80	WI	\$1.44
NC	\$1.70	IN	\$1.48	IN	\$0.71
WI	\$1.61	TN	\$0.86	CO	\$0.53
TN	\$1.51	NC	\$0.61	WA	\$0.37
SC	\$1.40	CO	\$0.54	SC	\$0.25
NH	\$0.77	NH	\$0.52	TN	\$0.12
VT	\$0.58	WA	\$0.52	NH	(\$0.03)
WA	\$0.29	SC	\$0.31	VT	(\$0.13)
AZ	\$0.04	AZ	(\$0.01)	NC	(\$0.41)
CO	(\$0.01)	GA	(\$0.13)	GA	(\$0.45)
GA	(\$0.28)	MI	(\$0.30)	AZ	(\$0.53)
MI	(\$0.49)	OH	(\$0.91)	IL	(\$0.64)
OH	(\$0.97)	PA	(\$1.03)	MI	(\$0.64)
PA	(\$1.11)	UT	(\$1.16)	UT	(\$1.04)
IL	(\$1.17)	DE	(\$1.87)	OH	(\$1.33)
UT	(\$1.79)	HI	(\$2.30)	PA	(\$1.35)
DE	(\$2.03)	CA	(\$2.34)	CA	(\$2.13)
PR	(\$2.44)	NY	(\$2.51)	DE	(\$2.20)
HI	(\$2.95)	FL	(\$2.82)	HI	(\$2.25)
CA	(\$3.43)	MD	(\$3.08)	NY	(\$2.41)
FL	(\$3.46)	PR	(\$3.15)	FL	(\$2.67)
NY	(\$3.55)	RI	(\$3.28)	MD	(\$3.00)
RI	(\$3.60)	DC	(\$3.43)	DC	(\$3.02)
MD	(\$3.81)	IL	(\$3.49)	PR	(\$3.10)
CT	(\$4.41)	MA	(\$3.57)	RI	(\$3.21)
MA	(\$4.52)	VT	(\$3.78)	MA	(\$3.30)
DC	(\$4.89)	CT	(\$3.94)	NJ	(\$3.69)
NJ	(\$5.51)	NJ	(\$4.10)	CT	(\$3.83)

XI. Option 6: Figure 24

Figure 24: Option 6: Percentage of Retail Revenues, Net Payers and Receivers per Access Line per Month, HAI

State	HAI	State	HAI	State	HAI
	\$30		\$40		\$50
AK	\$12.26	AK	\$12.73	AK	\$12.97
MT	\$8.47	MT	\$8.23	MT	\$8.04
WY	\$7.61	WY	\$7.20	WY	\$6.93
ND	\$5.06	ND	\$5.13	ND	\$5.02
MS	\$4.73	SD	\$4.44	SD	\$4.34
SD	\$4.57	NE	\$4.01	AR	\$3.79
NE	\$4.51	AR	\$3.84	KS	\$2.95
WV	\$4.37	MS	\$3.13	OK	\$2.79
AR	\$3.93	KS	\$3.08	LA	\$2.77
ID	\$3.60	ID	\$3.07	ID	\$2.65
VA	\$3.56	OK	\$2.99	NE	\$2.58
OK	\$3.43	WV	\$2.92	NM	\$2.11
KS	\$3.17	NM	\$2.75	MS	\$2.08
ME	\$2.92	VA	\$2.50	WV	\$1.86
NM	\$2.90	ME	\$2.02	VA	\$1.83
MO	\$2.45	LA	\$1.86	NV	\$1.68
LA	\$2.16	MO	\$1.84	ME	\$1.61
AL	\$1.93	MN	\$1.42	MO	\$1.40
MN	\$1.68	IA	\$1.39	IA	\$1.23
IA	\$1.60	AL	\$1.12	MN	\$1.21
KY	\$1.01	NV	\$1.00	CO	\$0.83
CO	\$0.86	OR	\$0.85	OR	\$0.83
OR	\$0.86	CO	\$0.84	AL	\$0.67
NV	\$0.76	TX	\$0.50	WI	\$0.50
NH	\$0.65	WI	\$0.48	TX	\$0.42
TX	\$0.57	KY	\$0.36	SC	\$0.41
NC	\$0.53	SC	\$0.28	AZ	\$0.30
WI	\$0.51	NH	\$0.27	UT	\$0.18
VT	\$0.34	AZ	\$0.20	GA	\$0.13
SC	\$0.25	UT	\$0.08	KY	\$0.04
TN	\$0.07	GA	\$0.05	WA	\$0.03
IN	\$0.06	WA	\$0.00	TN	(\$0.18)
AZ	(\$0.01)	NC	(\$0.04)	NC	(\$0.31)
HI	(\$0.02)	VT	(\$0.07)	IN	(\$0.33)
GA	(\$0.07)	TN	(\$0.11)	NH	(\$0.34)
UT	(\$0.09)	HI	(\$0.15)	HI	(\$0.38)
WA	(\$0.09)	IN	(\$0.18)	VT	(\$0.39)
PA	(\$0.46)	IL	(\$0.48)	IL	(\$0.46)
IL	(\$0.57)	MI	(\$0.56)	MI	(\$0.47)
MI	(\$0.59)	PA	(\$0.57)	PA	(\$0.64)
OH	(\$0.83)	NY	(\$0.73)	CA	(\$0.71)
NY	(\$0.89)	OH	(\$0.88)	NY	(\$0.74)
DE	(\$1.14)	CA	(\$0.89)	FL	(\$0.82)
CA	(\$1.25)	FL	(\$0.98)	OH	(\$0.82)
FL	(\$1.27)	DC	(\$1.13)	DC	(\$0.92)
MD	(\$1.36)	DE	(\$1.13)	DE	(\$0.97)
DC	(\$1.52)	MD	(\$1.18)	NJ	(\$1.01)
PR	(\$1.58)	PR	(\$1.22)	PR	(\$1.02)
RI	(\$1.61)	MA	(\$1.29)	MD	(\$1.03)
MA	(\$1.65)	RI	(\$1.29)	RI	(\$1.05)
CT	(\$1.82)	NJ	(\$1.40)	MA	(\$1.07)
NJ	(\$1.86)	CT	(\$1.47)	CT	(\$1.23)

Receiver
Payer

XII. Appendix A: What is the History of these Issues?

History and Current Subsidies

The telephone industry and regulatory agencies have historically maintained affordable residential rates through programs that provide subsidies and through pricing policies. The goal of universal service has been accomplished without the customer being aware that the programs exist. Historically, the support mechanisms that have kept many residential rates below their cost have been like the shell game. You know they are in there somewhere; identifying exactly where can be a guessing game.²⁹

Currently, some of the subsidies are explicit in terms of intercompany payments (while not necessarily explicit to the customer). The 1998 calculations for the cost of these programs, approximately \$2.3 billion, are included in the toll rates of interexchange customers.³⁰ The programs provide assistance to companies serving high-cost areas and to low-income customers. See **Section XV, Figure 25**, for a cash flow diagram of the FCC's current plan for universal service.

The subsidies provided through pricing policies are not as easily identified or quantified. However, we do know that average pricing by large local exchange companies has masked the real cost to the customer of providing telephone service in rural areas. In the 1993 TIAP paper *What is the Price of Universal Service? Impact of Deaveraging Nationwide Urban/Rural Rates*, it was shown that the estimated nationwide cost of providing rural service exceeded the revenue paid by rural customers by \$8.7 billion dollars.³¹

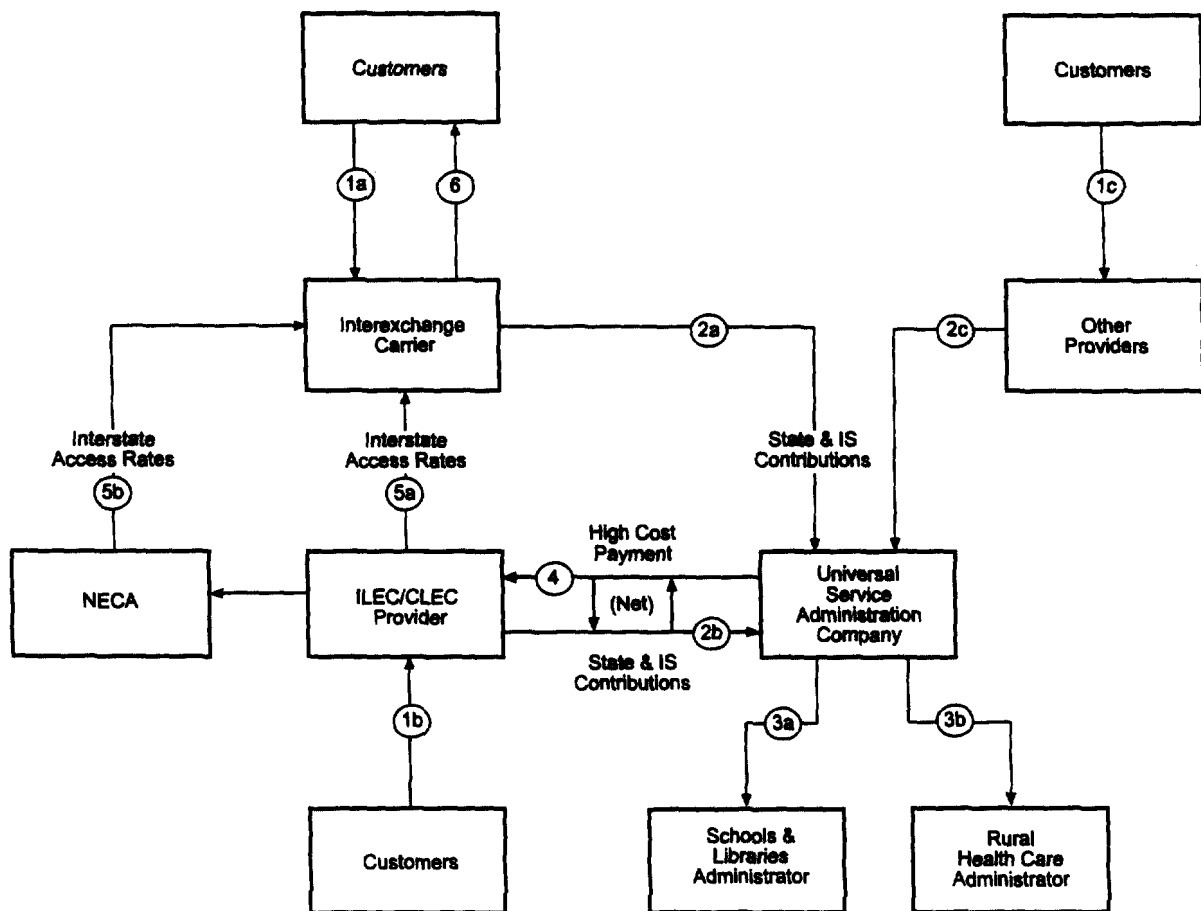
Subsidies have also been provided through pricing some services above cost. For example, on average, the single line business rate is 2.3 times the average residential rate.³² Rate averaging and above cost pricing are policies that cannot be sustained in a competitive industry. The *Act of 1996* recognized the need to establish a new method of maintaining universal service.

XIII. Appendix B: Cash Flow Diagram, Figure 25

Cash Flow Diagram

Figure 25 illustrates the FCC's current plan for universal service and other support mechanisms.³³

Figure 25: Cash Flow for the FCC's Plan for the New Universal Service Fund



XIII. Appendix B: Cash Flow Diagram, Figure 25, cont.

Figure 25: Cash Flow for the FCC's Current Plan to Fund Universal Service, cont.

- 1a. Total state and interstate (IS) revenues from interexchange carrier (IXC) customers.
- 1b. Total state and interstate revenues from incumbent local exchange carrier (ILEC) customers and from competitive local exchange carrier (CLEC) customers.
- 1c. Total state and interstate revenues from other service providers.
- 2a. State and interstate contributions to schools, libraries and health care providers fund plus interstate contributions to high-cost/low-income fund (the contributions are netted with the schools/libraries/health care high-cost fund receipts).
- 2b. Same as above.
- 2c. Same as above.
- 3a. Universal Service Administrative Company (USAC) passes the schools and libraries contributions to the Schools and Libraries Corporation.
- 3b. USAC passes the health care provider contributions to the Rural Health Care Corporation (RHC).
4. USAC calculates the high-cost, schools, libraries, and health care settlements and passes them to the ILEC or CLEC.
- 5a. The non-NECA (National Exchange Carrier Association) pool ILECs/CLECs pass on the net of (all) universal service contributions less Schools and Libraries Corporation/RHC high-cost fund receipts to the IXCs in the form of increases/decreases in access rates.
- 5b. The NECA pool ILECs/CLECs pass on the net of (all) universal service contributions less Schools and Libraries Corporation/RHC high-cost fund receipts to the IXCs in the form of increases/decreases in access rates.
6. The IXC passes on the increased access charges to its customers in the form of increased rates.

XIV. Appendix C: Sources, Calculations, and Assumptions

General Caveats

1. This paper models the current FCC proposal and various options for funding the high cost fund. It should be noted that many other options are also possible.
2. This paper does not model high cost funding mechanisms within a state.
3. This paper focuses only on subsidies for high-cost areas for the high cost fund. It omits subsidies for low-income households, schools, libraries, and rural health care providers.

Proxy Model Data (BCPM and HAI)

4. The cost data for the various options is generated by either the BCPM or the HAI proxy models. The data is from BCPM, Version 3.0, January 14, 1998; and from HAI, Version 5.0A, February 16, 1998.

With the exception of Option 3 (Density Zones) the BCPM model results are based on density zone levels and the HAI model results are based on wire centers.

The proxy models generated high cost funds for primary residential lines and for single-line businesses. The proxy models were run with \$30, \$40, and \$50 benchmarks to generate the state-by-state amounts and total fund sizes. The density zones are those generated by the proxy models.

Modeling Assumptions

5. Revenue benchmarks:
The options use \$30, \$40, and \$50 revenue benchmarks to create three sizes of high cost funds for each cost model. The result is six differently sized funds.
6. Non-Rural/Rural Companies:
This paper divides the companies between non-rural and rural. The non-rural are companies with over 100,000 access lines. The rural are companies with access lines 100,000 and under. This is essentially a large/small distinction rather than an urban/rural one because some of the large companies also have a large portion of rural access lines. There are approximately 1,400 study areas (companies).
7. The high cost fund for the rural companies is the 1998 amount. This is also a minimum amount for the year 2001 when forward-looking cost models for rural companies are slated for implementation.
8. The calculations for the 1999 rural company amount use 1998 National Exchange Carrier Association (NECA) expense adjustment calculations for the high cost fund.
9. Current projections for rural and non-rural long term support (LTS) are calculated on a new

XIV. Appendix C: Sources, Calculations, and Assumptions, cont.

basis as of January 1, 1998. For purposes of modeling, the current projections for LTS are used.³⁴

10. The input numbers exclude data for the Virgin Islands, Guam, and Micronesia. The input numbers for Options 1A through 1C also exclude data for Alaska and Puerto Rico since the Ad Hoc Proposal excludes them.
11. Number of access lines is the 1997 NECA submission to the FCC which uses 1996 access lines.

Loop (or Access Line) Data

12. The loop data is from the Alexander Belinfante and James Eisner, *Universal Service Support and Telephone Revenue by State* (hereinafter referred to as *FCC Universal Service Support*), FCC, Common Carrier Bureau, Industry Analysis Division, January 1998, Table 1, page 12. These are 1996 message loops. The loops are total for multi-line business, single-line business, and residential customers.
13. The proxy models calculate network investment for all lines (residential and business). Then the models calculate the support for residential and single-line businesses only. These results are the outputs used by this paper.

Minutes of Use Data

14. The common line (CL) minutes of use (MOU) data are from *FCC Universal Service Support*. These are 1995 interstate access minutes. This is public data for all study areas. The minutes of use were used to distribute the state revenue totals into study area detail to determine rural and non-rural company amounts for each state.

Retail Revenue Data

15. Retail revenue data are from the *FCC Universal Service Support*. This report distributes 1996 revenues among individual states. The data in this FCC report are primarily from the FCC's Common Carrier Bureau, Industry Analysis Division reports: *Telecommunications Industry Revenue: TRS Fund Worksheet Data (Telecommunications Industry Revenue)* and from *1996/1997 Statistics of Communications Common Carriers*. The 1997 TRS contains revenues for LECs, IXC's, wireless, and other companies providing telecommunications services. The data exclude the Virgin Islands, Guam, and Micronesia.

The definition of retail revenue is "Total billed revenue less access revenue derived from charges to other carriers and less revenue to carriers for payment of communication services taken for resale."³⁵ The FCC includes "revenues from local exchange and wireless services, toll revenue and end user access charges. An adjustment must be made for toll services that are resold to avoid double counting."³⁶ The FCC estimates "that 6% of

XIV. Appendix C: Sources, Calculations, and Assumptions, cont.

interstate toll revenue and intrastate-interLATA toll revenue are payments to carriers for telecommunication services for resale."³⁷

Current High Cost Fund Support Data

16. The current high cost fund support is the sum of the old universal service fund, weighted dial equipment minutes (DEM), and long term support (LTS). See **Section II, Figure 1**, for the amounts. The old USF non-rural and rural amounts are based on the 1997 *USF Submission* by NECA. The calculations for 1998 weighted DEM and LTS are from a letter from USAC to the FCC, October 31, 1997.

Calculation of the Nationwide Surcharges and Net Payers/Net Receivers

17. Two surcharges are calculated for the non-rurals using proxy model results — one based on BCPM and one based on HAI. A third surcharge is calculated using the 1998 data. The rural surcharge is added to each non-rural proxy model surcharge to produce two nationwide surcharges. For Options 1 through 4, the surcharge is the support divided by interstate revenues (or by the appropriate percentage of interstate revenues). For Option 5, the surcharge is based on telephone numbers. For Option 6, the surcharge is based on total revenues.
18. For Options 1 through 4, contributions for each state are calculated by multiplying the surcharge times interstate revenues. For Option 5, the contributions for each state are calculated by multiplying the surcharge times the number of telephone numbers times 12 months. For Option 6, the contributions are the surcharge times total revenues for each state.
19. The net payers and net receivers on a monthly per line basis for each state is the high cost support minus the contribution. The result is divided by the number of loops and by 12 to make it monthly. For Option 5, the result is divided by telephone numbers instead of loops.

Sources and Assumptions for Option 5: Telephone Numbers

Figure 26 shows the sources and assumptions for developing the number of telephone numbers. The following points provide further details on the calculations for the total number of telephone numbers and their distribution among the states:

20. Assignment of numbers to individual states is different for each category of telephone numbers. Depending on the source, the data is for 1995 or 1996. The USF loop data are state specific and therefore directly assigned to the states. Data for other service customers, such as wireless or 800 numbers, use other methods to distribute the total amount among the states. For example, for the wireless customers (broadband and narrowband CMRS), the state distribution is assumed to be the same as the USF loops. For the 800 and 888

XIV. Appendix C: Sources, Calculations, and Assumptions, cont.

numbers, the state distribution is based on each state's percentage of total business lines.

21. *Traditional Wireline Numbers:*

For traditional wireline telephone company customers, USF loops (switched loops) were used as a surrogate for telephone numbers. Total loops include both switched and special access. To use total loops would require making the funding mechanism more of a "per connection" rather than a "per number" charge. Individual state amounts are based on state-specific USF loop data.

22. *Wireless Numbers:*

The wireless numbers are for 1996. They include cellular, personal communications services (PCS), and paging numbers based on number of subscribers.

23. Special access and private line are excluded from this approach because their customers do not have telephone numbers.

24. Resale of unbundled loops shouldn't lead to an increase of the number of numbers.

25. Centrex and PBX are excluded because these services do not directly translate into telephone numbers.

Sources and Assumptions for Option 6: Percentage of Retail Revenues

26. Retail revenues are based on the FCC's *Distribution of Revenues by States*. See the above discussion on retail revenues in this section.

XIV. Appendix C: Figure 26

Figure 26: Sources and Assumptions for the Number of Telephone Numbers

Item:	Source:	Method of Distributing Totals Among the States:
USF Loops	1997 USF Submission by NECA.	Allocation based directly on number of USF loops for each state. Data are aggregated from the study area to the state level.
Broadband CMRS (Cellular & Broadband PCS)	CTIA, website at http://www.wow.com.com/professional/index.cfm on September 1997, "CTIA's Semi-Annual Data Survey Results."	Percentage of Total USF Loops.
Narrowband CMRS (Paging & Narrowband PCS)	PCIA, <i>Wireless Market Portfolio: A Collection of Forecasts on the Wireless Industry</i> .	Percentage of Total USF Loops.
800/888 Numbers	FCC, 1995/1996 <i>Statistics of Communications Common Carriers</i> , Table 8.14.	Percentage of Total Number of Business Lines.
Business Lines	FCC, 1995 ARMIS 43-08 Reports for Tier 1 companies supplemented with REA data for small companies.	Not applicable.

XV. Appendix D: Input Data

Sources and Assumptions for Input Data

Figure 27 is a list of the names of the states and their acronyms.

Figure 28 provides the input data for the 1996 number of access lines, 1995 telephone numbers, and 1996 retail revenues (state and interstate). The number of access lines is based on 1995 USF loops. For a description of retail revenues and for the development of 1995 telephone numbers, see **Section XIV, Appendix C**.

Figure 29 is the data from the BCPM and HAI cost proxy models which provide the amounts for the non-rural high cost fund by state for three benchmarks (\$30, \$40, and \$50). **Figure 30** is the input data for the rural high cost fund. **Figure 31** is the state total of rural and non-rural. **Figures 32 and 33** calculate the amounts for each model for the FCC Plan for a 25% interstate/75% state fund.

XV. Appendix D: Figure 27

Figure 27: State Names and Acronyms

State Name	Acronym for State Name
Alabama	AL
Alaska	AK
Arizona	AZ
Arkansas	AR
California	CA
Colorado	CO
Connecticut	CT
Delaware	DE
D. C.	DC
Florida	FL
Georgia	GA
Hawaii	HI
Idaho	ID
Illinois	IL
Indiana	IN
Iowa	IA
Kansas	KS
Kentucky	KY
Louisiana	LA
Maine	ME
Maryland	MD
Mass.	MA
Michigan	MI
Minnesota	MN
Mississippi	MS
Missouri	MO
Montana	MT

State Name	Acronym for State Name
Nebraska	NE
Nevada	NV
New Hampshire	NH
New Jersey	NJ
New Mexico	NM
New York	NY
North Car.	NC
North Dakota	ND
Ohio	OH
Oklahoma	OK
Oregon	OR
Pennsylvania	PA
Puerto Rico	PR
Rhode Island	RI
South Car.	SC
South Dakota	SD
Tennessee	TN
Texas	TX
Utah	UT
Vermont	VT
Virginia	VA
Washington	WA
West Virginia	WV
Wisconsin	WI
Wyoming	WY